

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Greenbush	County Clinton
Fiscal Year End 3/31/06	Opinion Date 8/28/06	Date Audit Report Submitted to State 9/26/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

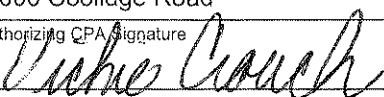
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Layton and Richardson, P.C.		Telephone Number 517-332-1900	
Street Address 1000 Coolidge Road		City East Lansing	State MI
		Zip 48823	
Authorizing CPA Signature 	Printed Name Vickie Crouch		License Number 1101010436

TOWNSHIP OF GREENBUSH, MICHIGAN
CLINTON COUNTY, MICHIGAN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006
AND
INDEPENDENT AUDITORS' REPORT



Layton & Richardson, P.C.
Certified Public Accountants

TOWNSHIP OF GREENBUSH, MICHIGAN
TOWNSHIP BOARD

2005-2006

Gary Hyde	Supervisor
Betty Pettigrew	Clerk
Michael Schneider	Treasurer
William Dershem	Trustee
Dan Jorae	Trustee

CONTENTS

INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION LETTER	3-5
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS – BALANCE SHEET	8
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/NET ASSETS – GOVERNMENTAL FUNDS	9
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS	10
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES – GOVERNMENTAL FUNDS	11
COMBINING BALANCE SHEET – FIDUCIARY FUNDS	12
NOTES TO FINANCIAL STATEMENTS	13-18
REQUIRED SUPPLEMENTARY INFORMATION	
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND	20
SUPPLEMENTARY INFORMATION	
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL GENERAL FUND	22-23
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	25-26
LETTER OF COMMENTS AND RECOMMENDATIONS	27-28



Layton & Richardson, P.C.

Certified Public Accountants

1000 Coolidge Road
East Lansing, MI 48823

(517) 332-1900
(517) 332-2082 fax
Info@LNRCPA.com

Merrick A. Richardson, CPA
Principal
Rick@LNRCPA.com

Vickie L. Crouch, CPA, CGFM
Principal
Vickie@LNRCPA.com

Stephen D. Plumb, JD, CPA
Principal
Steve@LNRCPA.COM

David Layton, CPA
DaveLayton@LNRCPA.com

INDEPENDENT AUDITORS' REPORT

Township Board
Township of Greenbush
Clinton County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Greenbush, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Township of Greenbush, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Greenbush, Michigan as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 1 to the financial statements, the Township of Greenbush, Michigan adopted the provision of Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments Omnibus* and GASB 38, *Certain Financial Statement Notes Disclosures*, as of April 1, 2005.

The management's discussion and analysis and the required supplementary information on pages 3 through 5 are not a required part of the basic financial statement but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted primarily of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Township of Greenbush, Michigan's basic financial statements. The accompanying introductory section and the supplemental financial information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental financial information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 28, 2006 on our consideration of the Township of Greenbush, Michigan's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report considering the results of our audit.


Certified Public Accountants

East Lansing, Michigan
August 28, 2006

MANAGEMENT'S DISCUSSION LETTER

As management for the Township of Greenbush, we offer readers of the Township of Greenbush financial statement and this overview of the financial activities of the Township of Greenbush for the fiscal year ended March 31, 2006.

All Funds indicated herein show our current balances as of March 31, 2006.

Financial Highlights

- The Township implemented GASB 34 this year.
- Total revenues for governmental activities totaled \$252,138.
- Total expenditures for governmental activities totaled \$260,262.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township of Greenbush's basic financial statements. The Township of Greenbush basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on the Township of Greenbush's assets and liabilities, with the difference between the two reported as net assets.

The statement of revenue, expenditures, and changes present the Township's activities and changes during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in the future fiscal year.

Both the government-wide financial statements distinguish functions of the Township of Greenbush that are principally supported by taxes and intergovernmental revenues. The governmental activities of the Township of Greenbush include legislative, general government, public safety, public works, and cultural.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township of Greenbush, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance –related legal requirements. All of the funds of the Township of Greenbush are governmental funds.

MANAGEMENT'S DISCUSSION LETTER - Continued

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statement. However, unlike the government-wide financial statement, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources.

The Township of Greenbush Authority adopts an annual budget each fiscal year that is also approved by the Township Board. During the reported fiscal year, no amendments were made to the annual budget.

Overview of Governmental Funds

The following overview of the Governmental Funds for the Township of Greenbush is a condensed financial overview of the assets, capital assets, revenues, and expenditures of the reported fiscal year. This overview is to be a comparative with the previous fiscal year, however, as this is the first year of the new GASB 34 requirement, there is no comparative information available.

TOWNSHIP OF GREENBUSH FINANCIAL INFORMATION

<u>Category</u>	<u>2006</u>
Assets	\$ 194,656
Capital Assets	5,317
TOTAL ASSETS	199,973
Liabilities	
\$ invested in capital assets, net of related debt	5,317
Unrestricted Assets	194,656
 PROGRAM REVENUES	
State shared revenue	144,561
Charges for services	4,403
 GENERAL REVENUES	
Taxes	64,628
Administrative fee	15,331
Interest	1,570
Fire donations	15,220
Miscellaneous	6,425
TOTAL REVENUES	103,174
 EXPENSES	
Legislative	1,800
General Services	86,746
Public Safety	102,748
Public Works	61,565
Health and welfare	5,288
Library and culture	2,115
TOTAL EXPENSES	260,262
CHANGE IN NET ASSETS	(8,124)
ENDING NET ASSETS	198,360

MANAGEMENT'S DISCUSSION LETTER - Concluded

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in this report. The Notes to Financial Statements can be found on pages 13-18 of this report.

Requests for Information

This financial report is designed to provide a general overview of the Township of Greenbush's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to The Office of the Treasurer 7274 N. Scott Rd., St. Johns, MI 48879.

BASIC FINANCIAL STATEMENTS

The Basic Financial Statements provide information of the governmental activities, business-type activities, aggregate totals of discretely presented component units, major funds and the aggregate remaining funds, which collectively comprise the activities of the Township of Greenbush.

TOWNSHIP OF GREENBUSH, MICHIGAN
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS
BALANCE SHEET
MARCH 31, 2006

	GOVERNMENTAL FUNDS	ADJUSTMENTS	STATEMENT OF NET ASSETS
ASSETS			
Cash and cash equivalents	\$ 166,489	\$	\$ 166,489
Due from state	24,051		24,051
Due from other funds	6		6
Taxes receivable	4,110		4,110
Fixed assets		<u>5,317</u>	<u>5,317</u>
TOTAL ASSETS	\$ <u>194,656</u>	\$ <u>5,317</u>	\$ <u>199,973</u>
LIABILITIES			
Accounts payable	\$ <u>1,613</u>	\$	\$ <u>1,613</u>
EQUITY AND OTHER CREDITS			
Fund balance	<u>193,043</u>	<u>5,317</u>	<u>198,360</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u>194,656</u>	\$ <u>5,317</u>	\$ <u>199,973</u>

See accompanying notes to financial statements.

TOWNSHIP OF GREENBUSH, MICHIGAN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
MARCH 31, 2006

Total fund balances - governmental funds	\$ 193,043
Amounts reported for governmental activities in the statement of net assets are different because capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$54,994 and the accumulated depreciation is \$49,677.	<u>5,317</u>
Total net assets - governmental activities	\$ <u><u>198,360</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF GREENBUSH, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN IN FUND BALANCE/NET ASSETS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2006

	GOVERNMENTAL FUNDS	ADJUSTMENTS	STATEMENT OF NET ASSETS
EXPENDITURES			
Legislative	\$ 1,800	\$	\$ 1,800
General services	87,795	(1,049)	86,746
Public safety	102,748		102,748
Public works	61,565		61,565
Health and welfare	5,288		5,288
Library and culture	2,115		2,115
TOTAL EXPENDITURES	<u>261,311</u>	<u>(1,049)</u>	<u>260,262</u>
PROGRAM REVENUES			
State shared revenue	144,561		144,561
Charges for services	4,403		4,403
	<u>148,964</u>		<u>148,964</u>
Net program expense	<u>(112,347)</u>	<u>1,049</u>	<u>(111,298)</u>
GENERAL REVENUES			
Property tax levy	64,628		64,628
Administrative fee	15,331		15,331
Interest earnings	1,570		1,570
Fire donations	15,220		15,220
Miscellaneous and other income	6,425		6,425
TOTAL REVENUES	<u>103,174</u>		<u>103,174</u>
CHANGES IN FUND BALANCE/NET ASSETS	(9,173)	1,049	(8,124)
PRIOR PERIOD ADJUSTMENT		4,268	4,268
FUND BALANCE/NET ASSETS, APRIL 1	<u>202,216</u>		<u>202,216</u>
FUND BALANCE, MARCH 31	<u>\$ 193,043</u>	<u>\$ 5,317</u>	<u>\$ 198,360</u>

See accompanying notes to financial statements.

TOWNSHIP OF GREENBUSH, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
MARCH 31, 2006

Net changes in fund balances - total governmental funds	\$ (9,173)
Amounts reported for governmental activities in the statement of activities are difference because:	
Governmental funds report capital outlays as expenditures.	
However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.	
Expenditures for capital assets	3,289
Less: current year depreciation	<u>(2,240)</u>
Change in net assets of governmental activities	\$ <u><u>(8,124)</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF GREENBUSH, MICHIGAN
COMBINING BALANCE SHEET
FUDUCIARY FUNDS - CURRENT TAX
MARCH 31, 2006

ASSETS

Cash and cash equivalents

\$ 6

LIABILITIES

Due to other funds

\$ 6

See accompanying notes to financial statements.

TOWNSHIP OF GREENBUSH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township operates under an elected Township Board, which consists of five members. The Township provides general government operations.

A. Reporting Entity

All funds and account groups under direct control of the Township are included in this report. These funds and account groups are those which meet the criteria established by Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity, and Statement on Michigan Governmental Accounting and Auditing No.5.

The criteria established by GASB for determining which of the Township's various organizations and activities are to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. On this basis, the financial statements of certain other governmental organizations are not included in the financial statements of the Township.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statements of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government of the Township of Greenbush and its component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds are reported as separate columns in the fund financial statements.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – Continued

C. Measurement Focus, Basis of Accounting, and Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary funds and fiduciary fund financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are reported when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township of Greenbush.

The Township of Greenbush reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those to be accounted for in another fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township of Greenbush has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – Continued

C. Measurement Focus, Basis of Accounting, and Financial Statements - Concluded

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services and privileges provided 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. All taxes are reported as general revenue.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from provided services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expense for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The Township has no proprietary funds.

When both restricted and unrestricted resources are available for use, it is the Township of Greenbush's policy to use restricted resources first. Unrestricted resources are used as they are needed.

D. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township of Greenbush as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of one year.

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in government-wide statements and all proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. The straight-line depreciation method is applied over the estimated useful life of fixed assets.

The straight-line depreciation method is used for all depreciable capital assets. The estimated useful lives for capital assets are displayed in the table below:

ASSET CLASS	DEPRECIABLE LIFE
Land	n/a
Buildings	10-40 years
Equipment	5-20 years

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - Concluded

E. Cash and Investments

The Township's cash is considered to be cash on hand, demand deposits, and non-negotiable certificates of deposit with an original maturity of 3 months or less.

All investments are stated at cost or amortized cost.

F. Budgets and Budgetary Accounting

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to March 31, the Township holds a special meeting to develop the budget for the General Fund for the following fiscal year. Public hearings are conducted to obtain taxpayer comments before the budget is formally adopted.
2. Any revision to the budget must be approved by the Township Board.
3. Budgeted amounts are as originally adopted or amended by the Township Board during the year. Individual amendments were not material in relation to the original appropriations which were amended.
4. All annual appropriations lapse at year end.

G. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Property Tax Revenue

Properties are assessed as of December 31, and the related taxes become a lien on July 1 of the following year. These taxes are due on August 31, with a final collection date of February 28 before they are returned to the County as delinquent.

NOTE 2: **CASH AND INVESTMENTS**

The captions on the combined balance sheet relating to cash and investments are as follows:

Cash and cash equivalents	\$ <u>166,778</u>
---------------------------	-------------------

A summary by type are:

Deposits	
Cash in checking accounts/ money market	\$ <u>166,778</u>

Deposits

At March 31, 2006, the banks were carrying a cash balance of \$162,605 - not including any pooled investment funds.

General Fund deposits were insured up to \$162,605, leaving a balance of \$0 uninsured.

NOTE 3: **CAPITAL ASSETS**

A summary of changes in governmental capital assets including internal service fund assets are as follows:

	APRIL 1, 2005	ADDITIONS	DELETIONS	MARCH 31, 2006
Capital assets being depreciated				
Land and buildings	\$ 20,275	\$	\$	\$ 20,275
Equipment	<u>31,430</u>	<u>3,289</u>	<u> </u>	<u>34,719</u>
Total Capital assets being depreciated	<u>51,705</u>	<u>3,289</u>	<u> </u>	<u>54,994</u>
Less: Accumulated depreciation				
Buildings	18,205	507		18,712
Equipment	<u>29,232</u>	<u>1,733</u>	<u> </u>	<u>30,965</u>
Total Accumulated Depreciation	<u>47,437</u>	<u>2,240</u>	<u> </u>	<u>49,677</u>
NET CAPITAL ASSETS	\$ <u>4,268</u>	\$ <u>1,049</u>	\$ <u> </u>	\$ <u>5,317</u>

NOTE 4: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN INDIVIDUAL FUNDS

P.A. 621 of 1978 provides that local units of government shall not incur expenditures in excess of the amounts appropriated in the formal budget document adopted by the Township Board. P.A. 493 of 2003 removed debt service funds as funds requiring a budget. During the year ended March 31, 2006, Greenbush Township incurred expenditures in excess of appropriations as follows:

	BUDGET	ACTUAL	UNFAVORABLE VARIANCE
GENERAL FUND			
General Services			
Legal	\$ 600	\$ 686	\$(86)
Public Safety			
Fire	99,000	99,748	(748)
Public Works			
Veterans memorial		500	(500)

NOTE 5: RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the Township to purchase commercial insurance for most risks of loss to which it is exposed.

NOTE 6: PRIOR PERIOD ADJUSTMENT

The Township adopted GASB Statement 34 on April 1, 2005. GASB Statement 34 requires capital assets and accumulated depreciation to be included on the government-wide statements. The prior period adjustment represents the prior cost of capital assets of \$51,705 less accumulated depreciation of \$47,437.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF GREENBUSH, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2006

	BUDGETED AMOUNTS			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Property tax levy	\$ 56,000	\$ 56,000	\$ 64,628	\$ 8,628
Administrative fee	13,000	13,000	15,331	2,331
State grants	142,000	142,000	144,561	2,561
Charges for services			4,403	4,403
Interest earnings	1,400	1,400	1,570	170
Fire donations	10,000	10,000	15,220	5,220
Miscellaneous and other income	5,504	5,504	6,425	921
TOTAL REVENUES	<u>227,904</u>	<u>227,904</u>	<u>252,138</u>	<u>24,234</u>
EXPENDITURES				
Legislative	2,181	2,300	1,800	500
General services	184,847	188,017	87,795	100,222
Public safety	102,000	102,000	102,748	(748)
Public works	107,000	107,000	61,565	45,435
Health and welfare	6,788	6,788	5,288	1,500
Library and culture	2,115	2,115	2,115	
TOTAL EXPENDITURES	<u>404,931</u>	<u>408,220</u>	<u>261,311</u>	<u>146,909</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(177,027)	(180,316)	(9,173)	171,143
FUND BALANCE, APRIL 1	<u>202,216</u>	<u>202,216</u>	<u>202,216</u>	
FUND BALANCE, MARCH 31	<u>\$ 25,189</u>	<u>\$ 21,900</u>	<u>\$ 193,043</u>	<u>\$ 171,143</u>

SUPPLEMENTARY INFORMATION

TOWNSHIP OF GREENBUSH, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2006

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Property tax levy	\$ 56,000	\$ 64,628	\$ 8,628
Administrative fee	13,000	15,331	2,331
State grants	142,000	144,561	2,561
Charges for services		4,403	4,403
Interest earnings	1,400	1,570	170
Fire donations	10,000	15,220	5,220
Miscellaneous and other income	5,504	6,425	921
TOTAL REVENUES	<u>227,904</u>	<u>252,138</u>	<u>24,234</u>
EXPENDITURES			
Legislative			
Township Board	<u>2,300</u>	<u>1,800</u>	<u>500</u>
General Services			
Supervisor	18,338	17,528	810
Elections	4,000	1,655	2,345
Legal	600	686	(86)
Clerk	15,397	15,363	34
Board of review	500	390	110
Assessor	16,349	15,653	696
Treasurer	15,418	15,386	32
Cemetery	5,573	5,573	
Hall and grounds	15,000	12,817	2,183
Deputies	2,744	2,744	
Contingency	<u>94,098</u>	<u></u>	<u>94,098</u>
Total General Services	<u>188,017</u>	<u>87,795</u>	<u>100,222</u>
Public Safety			
Police	3,000	3,000	
Fire	<u>99,000</u>	<u>99,748</u>	<u>(748)</u>
Total Public Safety	<u>102,000</u>	<u>102,748</u>	<u>(748)</u>
Public Works			
Drain at large	10,000	9,788	212
Refuse disposal	700	500	200
Veteran's Memorial		500	(500)
Highways and streets	<u>96,300</u>	<u>49,567</u>	<u>46,733</u>
Total Public Works	<u>107,000</u>	<u>60,355</u>	<u>46,645</u>

TOWNSHIP OF GREENBUSH, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - Concluded
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2006

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
EXPENDITURES - Concluded			
Health and Welfare			
Ambulance	\$ 5,288	\$ 5,288	\$
Meals on wheels	<u>1,500</u>	<u>1,210</u>	<u>290</u>
Total Health and Welfare	<u>6,788</u>	<u>6,498</u>	<u>290</u>
Library and Culture			
Library	<u>2,115</u>	<u>2,115</u>	
TOTAL EXPENDITURES	<u>408,220</u>	<u>261,311</u>	<u>146,909</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(180,316)	(9,173)	171,143
FUND BALANCE, APRIL 1	<u>202,216</u>	<u>202,216</u>	
FUND BALANCE, MARCH 31	<u>\$ 21,900</u>	<u>\$ 193,043</u>	<u>\$ 171,143</u>



Layton & Richardson, P.C.

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

1000 Coolidge Road
East Lansing, MI 48823

(517) 332-1900
(517) 332-2082 fax
Info@LNRCPA.com

Merrick A. Richardson, CPA
Principal
Rick@LNRCPA.com

Vickie L. Crouch, CPA, CGFM
Principal
Vickie@LNRCPA.com

Stephen D. Plumb, JD, CPA
Principal
Steve@LNRCPA.COM

David Layton, CPA
DaveLayton@LNRCPA.com

To the Township Board
Township of Greenbush
Clinton County, Michigan

We have audited the financial statements of the governmental activities of Greenbush Township, Michigan as of and for the year ended March 31, 2006, which collectively comprise Greenbush Township, Michigan's basic financial statements and have issued our report thereon dated August 28, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Greenbush Township, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Greenbush Township, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of Greenbush Township, Michigan, in a separate letter dated August 28, 2006.

This report is intended solely for the information and use of the management, State, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Layton & Richardson, P.C.
Certified Public Accountants

East Lansing, Michigan
August 28, 2006



Layton & Richardson, P.C.

Certified Public Accountants

AUDITORS' LETTER OF COMMENTS AND RECOMMENDATIONS

Township Board
Township of Greenbush
Clinton County, Michigan

1000 Coolidge Road
East Lansing, MI 48823

(517) 332-1900
(517) 332-2082 fax
Info@LNRCPA.com

Merrick A. Richardson, CPA
Principal
Rick@LNRCPA.com

Vickie L. Crouch, CPA, CGFM
Principal
Vickie@LNRCPA.com

Stephen D. Plumb, JD, CPA
Principal
Steve@LNRCPA.COM

David Layton, CPA
DaveLayton@LNRCPA.com

We have audited the general purpose financial statements of the Township of Greenbush for the year ended March 31, 2006, and have issued our report on those statements. As part of the audit process, we tested and evaluated the system of internal accounting control and the procedures used to record the financial transactions of the Township of Greenbush. These tests and evaluations are important to the audit process because they serve as the basis for our opinion on the reliability and accuracy of the financial statements.

The management of the Township of Greenbush is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

Our study and evaluation of the internal accounting control system would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Township of Greenbush.

PRIOR YEAR RECOMMENDATIONS

MINUTES

We noted during our audit the minutes state that the bills are approved each month. We recommend that the minutes include the total amount of bills approved. The Supervisor or Trustee should also date and initial the approved list. **This recommendation has been implemented.**

PRIOR YEAR RECOMMENDATIONS - Concluded

INVESTMENT POLICY

During the audit, we noted that the Township of Greenbush has not adopted an investment policy as required by the state of Michigan. We recommend that the Township adopt an investment policy to comply with state law.

We noted during the audit that the cash held in the bank was in excess of FDIC insured amounts. We recommend monitoring bank balances and taking appropriate actions to maintain bank balances at or below FDIC insured amounts. **This recommendation has been implemented.**

CURRENT YEAR RECOMMENDATIONS

ACCOUNTING SYSTEM

Our analysis of the Township of Greenbush's current accounting system indicated that it was inadequate for the current needs of the organization. There are numerous off-the-shelf computer accounting packages that are far more efficient and easier to use. We feel that a new accounting system would benefit the Township of Greenbush in two specific ways. First, it would increase the Township's ability to efficiently and effectively record daily transactions. Second, it would provide management with complete and accurate financial information on a timelier basis. We strongly suggest that this investment will be very worthwhile and beneficial over the years.

FILING SYSTEM AND RETENTION RECORDS

Our audit testing procedures disclosed that for a number of the months the bank statements were missing and never located. Missing accounting records such as these, while typically indicative of general disorganization, can be a flag of much more severe issue such as potential fraud or other such abuse. A significant effort should be undertaken to ensure that all bank statements and other accounting documents are located, properly filed and retained. The Township should be sure a system is in place for retaining and storing this information.

We are grateful to the Township employees for the assistance and cooperation we received during the audit and we thank them.


Certified Public Accountants

East Lansing, Michigan
August 28, 2006